

2008 EITC
EMPLOYER TOOLKIT

EMPLOYER GUIDE

**Corporate
Voices**
for Working Families

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**A COMPREHENSIVE GUIDE TO EDUCATING YOUR
EMPLOYEES ABOUT TAX CREDITS AND FEDERAL
BENEFITS THEY MIGHT HAVE EARNED.**

SPEAKING OUT FOR WORKING FAMILIES

The Employer Guide is brought to you by Corporate Voices for Working Families. Corporate Voices is the leading national business membership organization representing the private sector on public policy issues involving working families. A nonprofit, nonpartisan organization, we improve the lives of working families by developing and advancing innovative policies that reflect collaboration among the private sector, government and other stakeholders. To create bipartisan support for issues affecting working families, we facilitate research in areas spotlighting the intersecting interests of business, community and families: workforce readiness, family economic stability and flexibility in the workforce. Collectively our 50 partner companies, with annual net revenues of more than \$1 trillion, employ more than 4 million individuals throughout all 50 states.

For more information, visit www.cvworkingfamilies.org

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PROMOTING TAX CREDITS AND FEDERAL BENEFITS

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ELIGIBILITY REQUIREMENTS

HELP EMPLOYEES CLAIM TAX CREDITS AND FEDERAL BENEFITS

Some of your employees may be eligible to receive the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), State Children's Health Insurance (SCHIP), Food Stamps, and the Low Income Home Energy Assistance Program (LIHEAP). These tax credits and federal benefits are based on income eligibility.

Educating your employees about the Earned Income Tax Credit (EITC), Child Tax Credit, SCHIP, Food Stamps, and LIHEAP enables you to

- ▶ Build trust with employees by making them aware of these valuable resources.
- ▶ Give your employees the ability to supplement their incomes.
- ▶ Take ownership of the promotion of these tax credits and federal benefits within your own business.

Talk about these tax credits and benefits in staff meetings, post educational materials in the workplace, and make yourself available for employee questions. The information in this handy reference guide will help you educate your employees and show them how to keep more of what they earn.



WHO IS ELIGIBLE?

Employees who meet the following criteria are eligible to receive the Earned Income Tax Credit:

- ▶ Earned income and adjusted gross income (AGI) must each be less than
 - \$12,880 (\$15,880 married filing jointly) with no qualifying children
 - \$38,646 (\$41,646 married filing jointly) with two or more qualifying children
 - \$33,995 (\$36,995 married filing jointly) with one qualifying child
- ▶ Investment income must be \$2,950 or less for the year.
- ▶ If married, couples must file jointly.
- ▶ Must have a valid Social Security number.
- ▶ All qualifying children must have a valid Social Security number.
- ▶ Cannot be a qualifying child of another person.
- ▶ Cannot file Form 2555 (Foreign Income Exclusion) or 2555-E2.
- ▶ Must be a U.S. citizen or resident alien.
- ▶ If he or she does not have a qualifying child, he or she must
 - be at least age 25,
 - live in the United States for more than half the year, and
 - not qualify as a dependent of another person.

The Child Tax Credit is for employees who have a qualifying child. A qualifying child must be all of the following:

- ▶ Claimed as a dependent on tax filing forms
- ▶ Under age 17 at the end of the tax filing year
- ▶ Must be the employee's
 - Son, daughter, adopted child, stepchild, or a descendent of any of them (i.e., grandchild);
 - Brother, sister, stepbrother, stepsister, or a descendent of any of them (i.e., niece or nephew), that the employee has cared for as their own child; or
 - Foster child (or any child placed with the employee by an authorized placement agency, that the employee has cared for as they would their own child).
- ▶ A U.S. citizen or resident alien

TALKING TO EMPLOYEES

HOW TO TALK TO YOUR EMPLOYEES ABOUT TAX CREDITS AND FEDERAL BENEFITS

Be prepared to answer these commonly asked questions:

► What is the EITC?

It's a tax credit for eligible working families that provides tax refunds of up to \$4,824. If you're eligible, you should apply for it when you file your federal taxes. Free electronic tax preparation assistance is available at Volunteer Income Tax Assistance (VITA) centers. More information can be found at www.irs.gov.

► What is the Advance EITC (AEITC)?

The AEITC lets employees receive a portion of their Earned Income Tax Credit as a supplement to their paychecks throughout the year, and the remainder of their refund when they file federal taxes. To qualify for the AEITC, employees must fill out a W-5 form (available online at www.irs.gov) and must reapply each calendar year. For Tax Year 2009, the maximum annual credit the employer is allowed to provide with the employee's pay is \$1,826.

► What is the Child Tax Credit?

The Child Tax Credit is a nonrefundable credit that reduces the amount of taxes owed, based on the number of qualifying children per household. It may be as much as \$1,000 per qualifying child, depending upon family income.

TALKING TO EMPLOYEES

► What are Medicaid and SCHIP?

Medicaid and the State Children's Health Insurance Program (SCHIP) are publicly funded health care coverage programs. Many children who are eligible for Medicaid or SCHIP are from working families, but their parents don't realize their children may be eligible.

► I can't afford health care coverage for my family. Is help available?

Although eligibility varies, programs exist in every state and the District of Columbia. A family of four earning up to \$34,100 a year may qualify. Some states cover children whose families have higher income. Medicaid and SCHIP coverage can include the following services at little or no cost:

- Doctor visits
- Immunizations
- Hospitalizations
- Prescriptions

For more information on SCHIP in their state, please direct employees to call

1-877-KIDS NOW (1-877-543-7669)

or log on to www.insurekidsnow.gov.

The website gives state-specific income guidelines and connects to state program sites and applications, where available.

► What are Food Stamps?

The Food Stamps program (now called the Supplemental Nutrition Assistance Program—SNAP) was created to help low-income families and individuals purchase nutritious food. Food Stamps are not cash or coupons; they are available via a debit card. Most grocery stores accept Food Stamps benefits.



► **Can I receive Food Stamps benefits even though I work?**

Yes, the Food Stamps/SNAP program considers total income and allows deductions for housing costs, child support, medical expenses, or child care costs. For more information about Food Stamps/SNAP and locating a local Food Stamps/SNAP office, please direct employees to call **1-800-221-5689** or log on to **<http://www.snap-step1.usda.gov/fns>**. The website will assist employees in determining eligibility and accessing Food Stamps/SNAP benefits.

► **What is the Low Income Home Energy Assistance Program?**

The Low Income Home Energy Assistance Program is a federal program that helps low-income households with their home energy bills. It helps families stay warm in the winter and cool in the summer. The LIHEAP program may be able to offer families one or more of the following:

- Bill payment assistance
- Energy crisis assistance
- Weatherization and energy-related home repairs



► **Who is eligible to receive LIHEAP Assistance?**

LIHEAP applications, eligibility, assistance, and benefit levels vary among LIHEAP programs. The federal government does not send or take applications for LIHEAP assistance. Interested employees should contact the local state agency, Indian tribe/tribal organizations or community action organization for information on qualifying for LIHEAP assistance. Eligibility criteria might include passing an assets test; living in nonsubsidized housing; having a household member who is elderly, disabled or a young child; or receipt of a utility disconnection notice.

► **Where can I find out if I qualify for LIHEAP?**

Please direct interested employees to call the toll-free number, **1-866-674-6327**, to determine if they qualify for LIHEAP assistance. Or employers might locate the local LIHEAP office at **<http://liheap.ncat.org>** for more information.

► **How can I take advantage of VITA centers?**

Volunteer Income Tax Assistance (VITA) centers begin opening in February. Find out where VITA centers are located in your area by calling the IRS at **1-800-829-1040**. VITA centers provide your employees with free tax preparation assistance, as well as information about state-level EITC programs that may be available. Some VITA locations offer information on accessing federal benefits like SCHIP and Food Stamps/SNAP.

► **What should I know about EITC certification?**

The majority of filers do not need to be certified. VITA centers can assist filers who do need certification. To be certified, filers must fill out an additional form (IRS Form 8836: Qualifying Children Residency Statement) and provide proof that the claimed child has lived with the EITC filer for six months or more during the tax year.

► **Is there a website that employees can visit to determine their eligibility for federally funded programs?**

All employees, not just those with low incomes, can use **www.govbenefits.gov** to check their eligibility for government programs. They will need to complete a free, easy-to-use, and confidential questionnaire.

ENROLLING EMPLOYEES FOR THE ADVANCE EARNED INCOME TAX CREDIT

IT'S EASY TO ENROLL EMPLOYEES FOR THE ADVANCE EARNED INCOME TAX CREDIT

Just follow these four steps:

- 1** Make employees aware of the Advance Earned Income Tax Credit. Mention it at staff meetings, post educational materials in the workplace and include W-5 forms in hiring and benefits packages for employee orientation.
- 2** Have eligible employees return completed and signed W-5 forms to you.
- 3** Include Advance EITC payments in eligible employee paychecks. The amount varies, based on a percentage of the employee's salary.

Most employment tax software programs automatically include Advance EITC payments for eligible employees. If Advance EITC is not included, employers can find the amount to be paid in IRS Publication 15, available at **www.irs.gov**.
- 4** Remind employees to reapply for the Advance EITC every calendar year that they wish to receive it. The 2009 W-5 form can be downloaded from **www.irs.gov** beginning January 1, 2009.

AVOIDING PREDATORY PRACTICES

HELP EMPLOYEES RECEIVE THEIR ENTIRE REFUND

When your employees pay a tax-preparation company to get their refunds instantly, they end up paying for high-interest, short-term loans (up to 300 percent when annualized) with finance charges and preparation fees.

- Some check cashers, banks and tax preparers offer holiday loans in anticipation of the EITC refund.
- Other tax preparers offer tax refund debit cards, which especially appeal to the unbanked. Not all debit cards are created equal; some charge costly transaction fees that can significantly reduce tax refunds.

By visiting a Volunteer Income Tax Assistance (VITA) center and waiting just a few days longer for their returns, your employees will pay no additional charges for tax preparation and receive the full amount of their refunds. Plus, some VITA centers offer information on federal benefits and assistance in opening a bank account.

Call **1-800-829-1040** to find the location of a VITA center in your area and talk to your employees about going there.



TAX CREDITS AND FEDERAL BENEFITS CALENDAR

DATES TO REMEMBER

December/January

Include tax credits and benefits education materials in paychecks and when distributing W-2 forms. Begin educating employees about EITC and CTC through staff meetings and posted materials.

February

The peak number of tax refund claims are filed this month, and VITA centers begin opening.

March

Make your final informative push before tax deadlines! Promote tax credits/federal benefits, advertise VITA center locations, and sign up new Advance EITC filers.

Ongoing

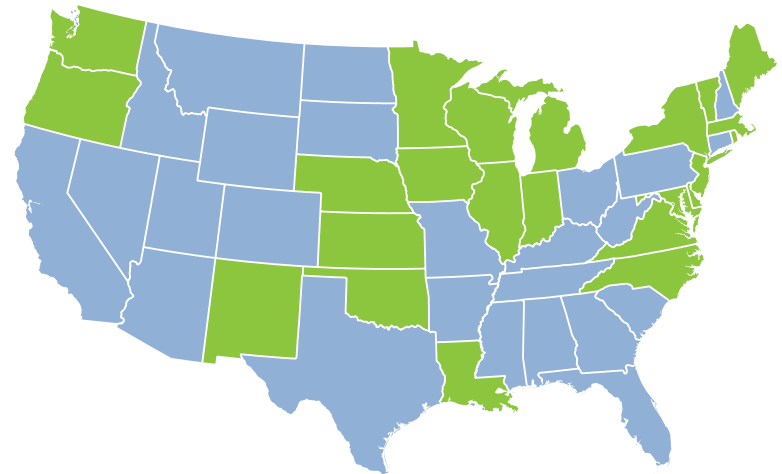
Include information about tax credits and federal benefits in all new employee orientation packets. Employees must reapply for Advance EITC each calendar year. You can distribute W-5 forms to interested employees and remain available for employee questions year-round.



WHAT MORE CAN EMPLOYERS DO?

PROMOTE

the State EITC. Twenty-three states and the District of Columbia offer a State EITC:



Delaware
Dist. of Columbia
Illinois
Indiana
Iowa
Kansas

Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota

Nebraska
New Jersey
New Mexico
New York
North Carolina
Oklahoma

Oregon
Rhode Island
Vermont
Virginia
Washington
Wisconsin

Of these, 21 make the tax credit refundable.

WHAT MORE CAN EMPLOYERS DO?

HELP

your employees access the convenience and advantages of having a bank account.

INFORM

your employees that the Earned Income Tax Credit and Child Tax Credit might serve as the beginning of a down payment on a home. Encourage employees to contact their mortgage lender for additional information on down payment assistance programs.

DID YOU KNOW?

According to the Consumer Federation of America: Check cashers, payday lenders, and used car dealers not only offer Refund Anticipation Loans, but some appear to be engaged in tax preparation services as well.



QUICK INFO

VITA CENTER LOCATIONS

1-800-829-1040

IRS WEBSITE

www.irs.gov

ELIGIBILITY FOR GOVERNMENT PROGRAMS

www.govbenefits.gov

LIHEAP ASSISTANCE

1-866-674-6327

<http://liheap.ncat.org>

FOOD STAMPS INFORMATION

1-800-221-5689

www.snap-step1.usda.gov/fns

SCHIP INFORMATION

1-877-KIDS NOW (1-877-543-7669)

www.insurekidsnow.gov

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